Corporate Financial Planning

Q: What is Corporate Financial Planning?

A: Corporate Financial Planning is the process of determining a company's financial needs or business goals for the future and how to achieve them.

Our services cover all aspects of corporate financial planning and we provide a confidential one to one consultation without obligation.

Workplace Pensions

A workplace pension is a method of saving for your retirement that's arranged and managed by your employer. Other names for a workplace pension can be occupational, works, company or work-based pensions. You will pay a percentage into the pension and your employer will also add a percentage into the scheme for you.

All employers must provide a workplace pension scheme, which is called automatic enrolment.

Your employer must automatically enrol you into a pension scheme and make contributions to your pension if all the following apply:

- you're classed as a 'worker'
- you're aged between 22 and State Pension age
- you earn at least £10,000 per year
- you usually ('ordinarily') work in the UK

Your employer must inform you when they have automatically enrolled into their workplace scheme. They will inform you:

- the date they added you to the pension scheme
- the type of pension scheme and who runs it
- how much they'll contribute and how much you'll have to pay in
- how to leave the scheme, if you want to
- how tax relief applies to you

You can leave the scheme or 'opt out' anytime. If you opt out within a month of being added to the scheme, you'll get the money you've already paid in. If you opt out later, you will usually stay in the pension until you retire or transfer to another pension scheme.

You will need to contact your pension provider if you wish to opt out. Your employer will tell you how to do this.

Corporate Insurance

Death in Service (DIS)

Death in service is an employee benefit which pays out a tax-free lump sum if at the time of death, you are employed by the company. The pay out is usually between 2-4 times your annual salary. You don't have to die whilst you are at work or because of a work activity, you just need to be employed by the company.

The tax-free cash from death-in-service can help your dependents manage financially after your death. In some cases, the money is paid into a discretionary trust which means the trustees have the final say who gets the cash.

To ensure your wishes are considered you will need to complete an expression of wishes or a nomination of benefits letter. The tax-free cash cannot be assigned to a mortgage however your family can use the money to pay off a mortgage debt.

Do I need life insurance if I have a DIS scheme?

We advise clients to have a life insurance policy in addition to a death in service scheme. A death in service scheme will roughly pay out 2-4 times your annual salary.

However, a life insurance scheme will pay our roughly 10 times your annual salary therefore your DIS benefits would not be enough to help your dependents in the event of your death. Our clients are advised to take out a life insurance policy to supplement a DIS scheme to make up for any shortfall.

Key Man Insurance

Key Man Insurance can be described as an insurance policy that is taken out by a business to compensate the business from monetary losses that would result from the death or incapacity of an important member of the business. Most companies have a 'key person' who is responsible for most of the profits or someone who has a skill that would be hard to replace. An example would be directors, sales directors, IT specialists and managing directors.

When deciding on the sum to be insured it is worth considering potential loss of profits, the cost of replacement and any costs that would need covering without the key person.

The loss to the business could be loss of company reputation, the decline in sales from the loss of a sales manager, the cost of hiring and training a replacement.

Although it is written on the life of a key business person it is owned by the business. The policy is paid out directly to the business and therefore the premium is paid for by the business.

Income Protection

Income protection can provide a financial benefit if the employee cannot work due to a long-term illness or injury.

A group income protection can benefit companies to help manage sickness and rehabilitation costs to enable member of staff to get back to work and reduce the period of absence and impact on the business. It also helps the employee at a difficult time and reduce money worries.

Benefits are usually based on an employee's earnings. Typically, the insurance pays a percentage of the employees' pre-disability salary between 50-75%. Payments usually begin after the employee has been absent for 6 months as this coincides with the length of UK statutory sick pay. The payments will continue until the employee is able to return or they reach the end of the payment period insured under the policy or in some cases until the employee reaches state pension age.

Cover is cost effective compared to an individual purchasing income protection and easy to set up, most insurers don't need any medical information.

Staff Benefit Packages

Group Healthcare schemes

In our view part of looking after your business is looking after your members of staff. Many companies now offer a healthcare plan for its employees. The aim is to keep employees feeling their best which should improve productivity and a healthy and happy business.

Most insurance companies have varying levels of cover but could benefit from the following:

- Physiotherapy
- Treatment for specific diseases like cancer
- Psychiatric treatment
- Dental treatment
- Optical appointments
- Medical treatment and nursing at home

Shareholder Protection

If a shareholder in your private limited company were to die would you be able to buy their share of the business? If you were unable to there would be significant implications for the future of your business.

By taking out shareholder protection it would allow the remaining partners or directors to keep control of the business following the death of a business owner.

In the event of a business owner dying or being diagnosed with a terminal or critical illness shareholder protection could provide a lump sum to the other owners. This lump sum could be used to help buy the deceased partners or directors share in the business.

If a company does not have shareholder protection and the business owner were to die their share of the business would be passed to their family. This could cause several problems; the other owners would have less control on the running of the business or they could sell the share to a competitor.

Small Self-administered Pension Scheme (SSAS)

A Small self-administered pension scheme (SSAS) is a type of employer sponsored defined contribution workplace scheme. SSAS are usually set up to provide retirement benefits for a small number of a company's directors or senior/key staff. The number of members is usually no more than 11. A SSAS is managed by its trustees who may be members of the scheme. Similar to regular pension contributions can be made by members and/or employees, each receive tax relief on the contributions made.

One on the main benefits of a SSAS is that it offers a lot of flexibility on where assets can be invested in for example it can be used to purchase the company premises and lease these back to the company or lend money to the company to purchase company shares.

All of the SSAS assets are held in the name of the trustees and there is no personal pot for each member, but the member holds a proportion of the schemes assets. You can start taking benefits from a SSAS from age 55.

The value of benefits will depend on:

- how much has been paid into the scheme on your behalf;
- the length of time that each contribution has been invested;
- investment growth over this period; and
- the level of charges

Generally, you can decide whether to take an income only from the scheme or a tax free cash lump sum and a reduced income. This will be a maximum of 25% then the balance is used to purchase an annuity or income drawdown. The amount you will receive will depend on any income to be paid to a dependent if you die, income increasing each year in line with inflation and the frequency of income paid.

For more information on a Corporate Financial Planning please contact us.